

Message Text

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R 131130Z MAR 78
FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC 6363
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY KINGSTON
AMEMBASSY PARAMARIBO
AMEMBASSY PORT OF SPAIN

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E.O. 11652: N/A
TAGS: ECON, EFIN, GY
SUBJECT: 1978 BUDGET AND FOUR YEAR RECOVERY PLAN

BEGIN SUMMARY: THE 1978 BUDGET PRESENTED TO THE NATIONAL ASSEMBLY BY MINISTER OF FINANCE FRANK HOPE CALLED FOR EXPENDITURES OF G\$643 MILLION (G\$58 MILLION ABOVE THE 1977 BUDGET). HOPE ALSO UNVEILED A FOUR YEAR ECONOMIC RECOVERY PROGRAM TO ELIMINATE BPO AND BUDGET DEFICITS. THE PROGRAM ENVISAGED A CAPITAL INVESTMENT PROGRAM OF G\$1.28 BILLION, INCLUDING BOTH THE PUBLIC AND PRIVATE SECTORS. ALTHOUGH INFLOWS OF CAPITAL FROM EXTERNAL SOURCES WERE ANTICIPATED, THE DOMINANT THEME OF HOPE'S PRESENTATION WAS "SELF-RELIANCE". SUCCESS WOULD DEPEND UPON GREATER PRODUCTION, BOTH FOR DOMESTIC CONSUMPTION AND EXPORT, FURTHER CUTS IN IMPORTS, AND INCREASED SAVINGS. TARGETS FOR GDP, EXPORTS AND PRODUCTION BY STATE ENTERPRISES WERE ALSO PROPOSED. THE PROJECTIONS APPEAR TO US TO DEPEND UPON A SERIES OF FACTORS, SOME OF WHICH WILL NOT BE PRESENT OR ATTAINABLE. THUS, DOUBLING OF

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INCOME FROM SUGAR AND BAUXITE WILL DEPEND UPON EXPANDING MARKETS AN ABSENCE OF SERIOUS LABOR TROUBLES, AN INCREASE IN EFFICIENCY, GOOD CROP WEATHER, AND PRIOR AVAILABILITY OF FOREIGN EXCHANGE TO MAINTAIN AND IMPROVE PRODUCTION. WE DOUBT THAT ALL OF THESE CONDITIONS CAN BE MET. THUS, WE BELIEVE THE BUDGET, ALTHOUGH IMPOSING STRINGENT CONTROLS ON EXPENDITURES, IS UNREALISTIC IN ITS PROJECTION OF INCOME.

WE ANTICIPATE THAT IT WILL BE SIGNIFICANTLY REVISED PRIOR TO THE END OF 1978 TO ACCOMMODATE ACTUAL PERFORMANCE. DESPITE THE OPPOSITION'S CHARGES THAT THE BUDGET IS A CAPITALIST-TYPE INSTRUMENT AND SIGNIFIES A SUBMISSION TO "IMPERIALIST" DICTATION, THE CONTROLS ENVISAGED ARE "STATIST", IF NOT SOCIALIST. END SUMMARY.

1. OVERVIEW: FINANCE MINISTER HOPE'S SPEECH FEBRUARY 27 PRESENTING THE 1978 BUDGET AND A FOUR YEAR PLAN FOR GUIANA'S ECONOMIC RECOVERY, REAFFIRMED SOCIALIST PRINCIPLES AND SOUNDED THE BASIC THEME OF SELF-RELIANCE, I.E., INCREASED PRODUCTIVITY FOR INTERNAL USE AND EXPORT, FURTHER CURTAILMENT OF IMPORTS, AND INCREASED SAVINGS. INCREASED INTERNAL SAVINGS, COUPLED WITH LARGE INJECTIONS OF FOREIGN CAPITAL, MAINLY INTO STATE-OWNED ENTERPRISES, WOULD PROVIDE FOR ECONOMIC GROWTH AND DEVELOPMENT. HOPE SAID THAT GOVERNMENT OWNERSHIP OF THE MAJOR SECTORS OF THE ECONOMY WAS BUT THE FIRST STEP TOWARD RESTRUCTURING THE ECONOMY AND TRANSFORMING THE SOCIETY THROUGH A CENTRAL PLANNING PROCESS. THE NEWLY CONSTITUTED STATE PLANNING COMMISSION WILL NOT ONLY MONITOR BUDGET PERFORMANCE BUT WILL SET TARGETS FOR THE ENTIRE ECONOMY. FOR THE FIRST TIME, THE CAPITAL NEEDS OF PUBLIC SECTOR CORPORATIONS ARE INCLUDED IN THE GOG'S BUDGETING PROCESS AND THE PROJECTION OF NATIONAL ACCOUNTS EXTENDS THROUGH 1981.

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2. HOPE WARNED GUYANESE THAT INCREASED CONSUMPTION--INDEED MAINTENANCE OF THE PRESENT LEVELS--DEPENDS UPON INCREASED PRODUCTION, AS AVAILABLE FOREIGN EXCHANGE WOULD BE USED SOLELY FOR DEVELOPMENT PURPOSES. HIGHER RATES OF SAVINGS WOULD BE INDUCED TO PROVIDE CAPITAL FOR INVESTMENT. ONLY BY DEMONSTRATING EFFICIENCY AND THE ABILITY TO PROMOTE ITS OWN DEVELOPMENT COULD GUYANA OBTAIN CAPITAL FROM ABROAD.

3. 1977 BUDGET PERFORMANCE: HOPE SAID THAT THE ACTUAL 1977 BUDGET DEFICIT WAS ABOUT G\$144 MILLION. TOTAL EXPENDITURES BOTH CURRENT AND CAPITAL, WERE G\$585 MILLION AND TOTAL REVENUE WERE G\$441.4 WHEREAS INITIAL PROJECTIONS HAD BEEN G\$546 MILLION AND G\$473.7 MILLION RESPECTIVELY. THE INCREASES WERE CAUSED BY SALARY INCREMENTS, EXPENSES IN CONNECTION WITH GOG TAKEOVER OF ALL EDUCATION FACILITIES, RISE IN PUBLIC HEALTH COSTS AND INCREASED PUBLIC DEBT PAYMENT. PURCHASES OF GOODS AND SERVICES TOTALLING G\$153.7 MILLION WERE G\$69.2 MILLION BELOW 1976. EXPENSES FOR DEFENSE AND SUBSIDIES WERE ALSO LOWER THAN IN 1976. THE DROP IN CURRENT REVENUES WAS DUE TO REDUCED CUSTOMS AND EXCISE COLLECTIONS, AND PROBABLY A SHARPLY REDUCED

SUGAR LEVY (ALTHOUGH HOPE DID NOT MENTION THE LATTER). DESPITE CURTAILMENT AND EVEN CANCELLATION OF MANY CAPITAL PROJECTS DUE TO FOREIGN EXCHANGE SHORTAGES, CAPITAL EXPENDITURES, ORIGINALLY PROJECTED AT G\$135 MILLION IN THE 1977 BUDGET, WERE G\$153 MILLION. THE DEFICIT ON CAPITAL ACCOUNT WAS G\$67 MILLION.

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4. PROPOSED 1978 BUDGET: FOR 1978, PROPOSED CURRENT ACCOUNT AND CAPITAL EXPENSES TOTAL G\$643 MILLION--G\$58 MILLION ABOVE 1977--AND REVENUES ARE G\$527 MILLION, LEAVING A DEFICIT OF G\$116 MILLION. CURRENT ACCOUNT EXPENDITURES OF G\$462.4 MILLION WILL BE G\$30 MILLION ABOVE 1977. SALARY INCREASES OF G\$22.4 MILLION COMPOSE MUCH OF THIS INCREASE, ALTHOUGH SALARIES MAKE UP ONLY 38 PERCENT OF THE TOTAL CURRENT ACCOUNT EXPENDITURES. DEBT SERVICE ALSO WILL RISE FROM G\$125 MILLION IN 1977 TO G\$154 MILLION IN 1978 AND CONSTITUTES ONE-THIRD OF CURRENT EXPENDITURES. OTHER COSTS, SUCH AS PURCHASES OF GOODS AND SERVICES, ARE BEING CUT BY 14 PERCENT FROM G\$153.8 MILLION IN 1977 TO G\$132.5 MILLION.

5. THE GUYANA DEFENSE FORCE (GDF) WOULD RECEIVE A "MINIMAL" BUT UNSPECIFIED INCREASE. OTHER INCREASES WOULD BE IN EDUCATION AND HEALTH. EXCEPT FOR THE REDUCTION OF SUBSIDIES

FROM G\$20.3 MILLION IN 1977 TO G\$6.6 MILLION
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IN 1978, DRASTIC CUTS WERE NOT ANNOUNCED. HOPE PLAYED DOWN THE IMPACT OF "REDEPLOYMENT" (WHICH REPORTEDLY HAS ALREADY AFFECTED OVER 3,000 EMPLOYEES), ALTHOUGH HE DID SAY THAT IT WOULD LEAD TO A PROGRESSIVE REDUCTION IN THE GOVERNMENT WORK FORCE.

6. REVENUES ON CURRENT ACCOUNT WILL INCREASE TO G\$376.3 MILLION FROM G\$354.2 MILLION IN 1977. SHARP INCREASES IN TAXES ON "NON-ESSENTIALS", INCLUDING CIGARETTES, LIQUOR, AUTOMOBILE LICENSES, CONSUMER DURABLES AND GASOLINE ARE PROJECTED TO MAKE UP G\$44 MILLION OF THE PROJECTED TOTAL CURRENT ACCOUNT REVENUE. THE CONTROVERSIAL SUGAR LEVY WILL BE ABOLISHED, AND THE SURPLUSES (PROFITS) OF THE SUGAR MONOPOLY WILL BE SUBJECT TO TAXATION AS GENERAL INCOME. THE PROJECTED 1978 CURRENT ACCOUNT DEFICIT IS G\$86.1 MILLION.

7. CAPITAL EXPENDITURES ARE TO BE G\$181 MILLION, UP FROM G\$150 MILLION IN 1977. CAPITAL RECEIPTS ARE SET AT G\$151 MILLION, UP FROM G\$86 MILLION IN 1977, BUT SOURCES OF THE INCREASE ARE NOT SPECIFIED. THE CAPITAL ACCOUNT DEFICIT IS PROJECTED TO BE G\$30 MILLION.

8. FOUR YEAR RECOVERY PLAN: THE OVERALL STRATEGY FOR THE FOUR YEAR RECOVERY PLAN, HOPE EXPLAINED, WAS TO:
A) DIVERSIFY THE ECONOMY BY PLACING PRIMARY EMPHASIS ON EXPANSION OF THE NUMBER OF AGRICULTURAL CROPS PRODUCED FOR EXPORT AND INTERNAL CONSUMPTION;
B) BRING CONSUMPTION INTO BALANCE WITH PRODUCTION;
C) INCREASE PRODUCTIVITY AND ACCOUNTABILITY, ESPECIALLY IN THE STATE ENTERPRISES;
D) EMPHASIZE MANPOWER TRAINING;
E) IMPROVE MAINTENANCE OF EXISTING PRODUCTION FACILITIES;
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AND
F) PURSUE BILATERAL AND MULTILATERAL ASSISTANCE.

9. THE RECOVERY PROGRAM IS PREMISED ON ACHIEVING AN AVERAGE ANNUAL REAL GROWTH OF GDP OF 5 PERCENT AND A YEARLY INCREASE IN EXPORTS OF 12 TO 15 PERCENT. THUS, GDP AT FACTOR COST IS TO INCREASE BY 17 PERCENT FROM G\$1,006 MILLION IN 1977 TO G\$1,238 BY 1981. INCREASED

PRODUCTION IN THE TRADITIONAL EXPORT SECTORS OF THE GUYANESE ECONOMY, BAUXITE, SUGAR AND RICE, IS EXPECTED TO ACCOUNT FOR G\$183 MILLION OF THE TOAL INCREASE OF G\$232 MILLION IN ANNUAL GDP. BAUXITE ALONE IS PROJECTED TO GENERATE AN ADDITIONAL G\$98 MILLION, MOSTLY THROUGH INCREASED MINING OF CALCINED BAUXITE. INCREASES IN SUGAR PRODUCTION ARE EXPECTED TO ACCOUNT FOR G\$60 MILLION IN GROWTH OF GDP. MANUFACTURING, TIMBER, FISHING AND FOOD CROP PRODUCTION ARE EXPECTED TO PROVIDE THE REMAINING INCREMENTAL INCREASE IN GDP. HOPE ANTICIPATED THAT INVESTMENTS MADE IN PREVIOUS YEARS, AS WELL AS DEVELOPMENT PROJECTS TO BE UNDERTAKEN DURING THE PLANNING PERIOD, WILL COME ON STREAM TO PROVIDE THESE INCREMENTS IN GDP. A KEY ELEMENT OF THE OVERALL STRATEGY IS TO ACHIEVE GROWTH IN THE EXPORT SECTOR AND THEREBY WORK TOWARD EQUILIBRIUM IN THE BOP. HOPE EXPLICITLY PREMISED ACHIEVEMENT OF GROWTH TARGETS ON FAVORABLE WEATHER CONDITIONS AND STABLE INDUSTRIAL RELATIONS.

10. THE CAPITAL INVESTMENT FOR THE FOUR YEAR RECOVERY PLAN TOTALS G\$1.28 BILLION. THIS INCLUDES CAPITAL INVESTMENTS OF THE CENTRAL GOVERNMENT (ON EDUCATION, HEALTH, ETC.), THE STATE CORPORATIONS, AND THE PRIVATE SECTOR. IT IS BROKEN DOWN AS FOLLOWS:
A) PUBLIC SECTOR--G\$1,122 MILLION
B) PRIVATE SECTOR--G\$160 MILLION

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11. APPROXIMATELY 58 PERCENT OF CAPITAL EXPENDITURES ARE ALLOCATED TO "PRODUCTIVE SECTORS" AS FOLLOWS: AGRICULTURE-33.5 PERCENT; FORESTRY AND FISHING -7.8 PERCENT; MINING -12.9 PERCENT; MANUFACTURING - 3.7 PERCENT. THE OTHER 42 PERCENT WILL BE ALLOCATED AS FOLLOWS: POWER-16.5 PERCENT; GENERAL ADMINISTRATION - 19.9 PERCENT; WITH THE REMAINDER GOING TO EDUCATION AND SOCIAL SERVICES, HEALTH AND HOUSING, ROADS AND SEA DEFENSES.

12. HOPE SAID THAT FUNDS FOR MEETING CAPITAL EXPENDITURES FOR THE FOUR YEAR PROGRAM WOULD COME FROM BOTH LOCAL AND EXTERNAL SOURCES. THE EXTERNAL FINANCING WOULD BE PROVIDED THROUGH LONG-TERM LOANS. LOCAL AND EXTERNAL FUNDS FOR THE CENTRAL GOVERNMENT CAPITAL ACCOUNT WOULD BE BROKEN DOWN AS FOLLOWS:

	1978	1979	1980	1981
EXTERNAL	87.3	87.2	111.6	99
LOCAL	94.2	87.3	95.6	111.4
TOTAL	181.5	174.5	212.2	210.4

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CAPTIAL EXPENDITURES OF STATE ENTERPRISES ARE PROGRAMMED AT G\$370 MILLION, OF WHICH G\$141.8 MILLION WOULD BE FROM EXTERNAL SOURCES AND G\$228.8 MILLION FROM INTERNALLY GENERATED FUNDS.

13. FROM THE ABOVE, IT APPEARS THAT THE GOG WILL REQUIRE A MINIMUM OF G\$526.9 MILLION OF FOREIGN EXCHANGE DURING THE FOUR YEAR PERIOD. LOCAL COSTS OF CAPITAL EXPENDITURES WILL TOTAL G\$617.3 MILLION WHICH IS TO BE PROVIDED BY DOMESTIC SAVINGS AND SURPLUSES OF PUBLIC ENTERPRISES. HOPE SAID CONSUMPTION WOULD HAVE TO BE POSTPONED AND INTERNAL SAVING RAISED FROM 5 PERCENT IN 1977 TO 16 PERCENT OF GDP BY 1980 (FROM G\$55 MILLION TO G\$169 MILLION). TO ACHIEVE THESE SAVINGS, THE PUBLIC SECTOR SURPLUS MUST INCREASE FROM G\$19 MILLION TO G\$230 MILLION, AND THE GOG CURRENT ACCOUNT DEFICIT WOULD HAVE TO BE TIGHTLY CONTROLLED TO STAY WITHIN LIMITS NOW PROJECTED.

14. BUDGET'S PROJECTION BEYOND 1978: HOPE NOTED THAT A NECESSARY CONDITION FOR REALIZATION OF THE INVESTMENT PLAN, AS WELL AS CONTROLLING CONSUMPTION, IS CONTROL AND REDUCTION OF THE CURRENT ACCOUNT GAP OF THE BUDGET TO A MORE MANAGEABLE LEVEL OVER A PERIOD OF TIME. CURRENT ACCOUNT EXPENDITURES ARE PROJECTED TO INCREASE BY NO MORE THAN 11.5 PERCENT IN 1979, A FURTHER 3 AND 4 PERCENT IN 1980 AND 1981, OR FROM G\$462 MILLION IN 1978 TO G\$515 MILLION IN 1979, AND

G\$55 MILLION IN 1981. ON THE BASIS OF INCREASES IN GDP AND IMPROVED TAX COLLECTIONS, REVENUES ARE TARGETED TO INCREASE SHARPLY FROM G\$376.5 MILLION IN 1978 TO G\$521 IN 1981, THEREBY REDUCING THE DEFICIT FROM G\$87.2 MILLION 1979 TO G\$33.5 MILLION IN 1981.

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15. PROJECTIONS FOR THE EXTERNAL SECTOR: HOPE SINGLED OUT GUYANA'S SERIOUS BOP PROBLEM AS THE CENTRAL DIFFICULTY FACING THE ECONOMY. HE NOTED THAT GIVEN DEMAND CONSTRAINTS FOR EXPORTS, IT IS NOT CONTEMPLATED THAT AN EXTERNAL BALANCE CAN BE ATTAINED IN LESS THAN THREE YEARS, BUT STRESSED THAT THE PRODUCTION AND INVESTMENT TARGETS, AS OUTLINED ABOVE, ARE DESIGNED, ASSUMING "CERTAIN INFLOWS OF CAPITAL", TO BRING THE BOP BACK TO EQUILIBRIUM.

16. HE SAID THAT THE TARGETED LEVEL OF PRODUCTION FOR THE EXPORT SECTORS OF THE ECONOMY (BAUXITE, SUGAR, RICE) WOULD ENSURE THAT EXPORTS RISE FROM G\$660 MILLION IN 1977 TO G\$797 MILLION IN 1978, G\$858 MILLION IN 1980 AND G\$1,200 MILLION IN 1981. SALES OF GUYMINE (THE STATE BAUXITE MONOPOLY) ARE EXPECTED TO RISE FROM G\$312 MILLION IN 1977 TO G\$375 MILLION IN 1978, G\$426 MILLION IN 1979, G\$503 MILLION IN 1980, AND EVENTUALLY G\$607 MILLION IN 1981. GUYSUCO (STATE SUGAR MONOPOLY), WHICH WAS PLAGUED BY LABOR UNREST IN 1977, IS EXPECTED TO INCREASE PRODUCTION FROM 242,000 TONS TO 356,000 TONS AND TO INCREASE SALES FROM G\$185 MILLION IN 1977 TO G\$275 MILLION IN 1978, REACHING G\$300 MILLION IN 1979.

17. MERCHANDISE IMPORTS, ON THE OTHER HAND, WOULD RISE MORE SLOWLY FROM G\$800 MILLION IN 1977, TO G\$975 MILLION IN 1980 AND G\$1,100 BY 1981, PREDICATED ON THE ASSUMPTION OF A GREATER RELIANCE ON DOMESTIC PRODUCTION FOR FOOD CONSUMPTION AND CONTINUED RESTRAINTS ON IMPORTS OF CONSUMER DURABLES. THUS, ASSUMING NO SHARP INCREASES IN IMPORTS OF SERVICES, HOPE PROJECTED THE CURRENT ACCOUNT BOP DEFICIT TO DROP FROM G\$235 MILLION IN 1977 TO G\$140 MILLION IN 1978, G\$102 MILLION IN 1979, G\$78 MILLION IN 1980 AND G\$59 MILLION IN 1981. HE PROJECTED EXTERNAL CAPITAL FLOWS AT G\$142 MILLION IN

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1980 AND G\$100 MILLION IN 1981, FOR A TOTAL OF G\$518

MILLION OVER THE FOUR YEAR PERIOD.

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18. NOTE: EMBASSY HAS OBTAINED A DRAFT OF HOPE'S SPEECH WHICH MAKES REFERENCE TO AN ARRANGEMENT WITH THE IMF WHICH WOULD PROVIDE ACCESS TO ADDITIONAL FUNDS TO SECURE A "PROGRESSIVE REDUCTION" IN COMMERCIAL ARREARS. THIS WAS NOT MENTIONED DURING THE PRESENTATION.

19. HOPE REVEALED THAT EXTERNAL PUBLIC DEBT IS G\$700.9 MILLION OF WHICH G\$560 MILLION IS LONG TERM. EXTERNAL DEBT OF THE PUBLIC SECTOR CORPORATIONS, WHICH IS GUARANTEED BY THE GOG, WAS ESTIMATED AT G\$180 MILLION, LARGELY SUPPLIER CREDITS. HE EMPHASIZED THAT ALL PUBLIC DEBT PAYMENTS DUE IN 1977 HAD BEEN MET. PAYMENTS WERE G\$25.1 MILLION ON INTEREST AND G\$33.8 MILLION ON PRINCIPAL. HE PROJECTED EXTERNAL DEBTS PAYMENT FOR 1978 AT G\$83.1 MILLION. HE ASSERTED THAT GUYANA'S OVERALL DEBT STRUCTURE IS HIGHLY FAVORABLE AND THAT THE COUNTRY WOULD CONTINUE TO BORROW TO FINANCE DEVELOPMENT.

20. COMMENT: TO MEET THE OBJECTIVES OUTLINED IN THE
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1978 BUDGET AND THE FOUR YEAR RECOVERY PLAN, THE GOG IS RELYING ON A NUMBER OF ASSUMPTIONS WHICH, FROM THE EMBASSY'S PERSPECTIVE, APPEAR UNREALISTIC. THE TARGETS FOR GROWTH IN EXPORTS AND GDP APPEAR OVERLY AMBITIOUS, GIVEN THE PRESENT DOWNWARD TREND IN THE ECONOMY. INCREASED EXPORT EARNINGS WILL IN THE SHORT-TERM DEPEND PRIMARILY UPON BAUXITE AND SUGAR. BUT DEMAND FOR THE FORMER IS TIED CLOSELY TO PERFORMANCE OF THE STEEL INDUSTRY WORLD-WIDE. MOREOVER, THE LACK OF MONEY FOR PROPER UPKEEP OF MINING MACHINERY WILL MAKE IT DIFFICULT TO HALT THE CURRENT DOWNWARD PRODUCTION TREND OF BAUXITE AND ACHIEVE THE PRODUCTION TARGETS SET IN THE PLAN. AS FOR SUGAR, LABOR PROBLEMS OF THE SUGAR INDUSTRY ARE LINKED TO THE MAJOR OPPOSITION PARTY'S STRATEGY FOR ACHIEVING POWER, HENCE THE GOG WILL PROBABLY NOT HAVE A TROUBLE-FREE HARVEST SEASON FOR SUGAR THIS YEAR.

21. THE AGRICULTURAL DIVERSIFICATION PROGRAM FOR FOOD CROP PRODUCTION WILL TAKE SOME TIME BEFORE IMPORT SUBSTITUTION CAN BE REALIZED AND WILL NOT BE OF MUCH HELP TO THE BOP DURING 1978. WHETHER CAPITAL FROM ABROAD WILL BE OBTAINED IN THE QUANTITIES REQUIRED BY THE PLAN IS ALSO QUESTIONABLE. TO GENERATE AGGREGATE SAVINGS IN THE AMOUNTS PREDICTED, WILL REQUIRE NOT ONLY INCREASES IN PRODUCTION EFFICIENCY BUT ALSO SHARP INCREASES IN CONSUMER PRICES. THE AMBITIOUS CAPITAL EXPENDITURE PROGRAM APPEARS TO CONFLICT WITH THE KIND OF AUSTERITY PROGRAM THAT THE IMF MIGHT DEMAND. SOME GUYANESE OBSERVERS HAVE EXPRESSED THE VIEW THAT THIS IS A "TEMPORARY" BUDGET TO BE REVISED LATER IN THE YEAR, PERHAPS AS EARLY AS JUNE. SOME MEASURES ON WHICH ANY CHANCE OF SUCCESS DEPEND, (I.E., SHARPLY INCREASED EXCISE TAXES, AND REDUCTION OF THE NUMBER OF PUBLIC EMPLOYEES) PROBABLY WILL PRODUCE PUBLIC LIMITED OFFICIAL USE

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OUTCRIES, WHICH CAN BE USED BY THE OPPOSITION TO UNDERMINE SUPPORT FOR THE GOG AUSTERITY PROGRAM.

22. SOME OF THE STATISTICS PRESENTED BY HOPE WERE CONTRADICTORY; TREASURY OFFICIALS HAVE INDICATED THAT CORRECTIONS WILL BE MADE. EMBASSY WILL REPORT ON BUDGET IN MORE DETAIL BY AIRGRAM.
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